



U.S. ECONOMIC ASSISTANCE PROGRAM IN EGYPT

**CONFORMED
COPY**

USAID Grant Number 263-K-642

**RESULTS PACKAGE AGREEMENT
BETWEEN
THE ARAB REPUBLIC OF EGYPT
AND THE
UNITED STATES OF AMERICA
FOR
DEVELOPMENT SUPPORT PROGRAM I**

Dated: 22 SEP 1999

"Certified to be a true copy copy of the original document signed on behalf of the Government of U.S. by Ambassador Daniel C. Kurtzer and Mr. Richard M. Brown USAID Director, and on behalf of the Government of Egypt by Mr. Zafer Selim El Bishri, the Minister of State for International Cooperation, and Mr. Hassan Selim, Administrator of the Department of Economic Cooperation with U.S.A."

Paul Weisenfeld
Paul Weisenfeld
Senior Legal Advisor

FUNDS RESERVED	
App. 729/01037	Res. No. P990477
ECPO 41701	SPC HES99923263KG13
CM Code 501	Amount 200,000,000.00
Agent Code	Ant. Date
Orig. of Dt. 9/20/99	Orig. Exp. Dt. 9/30/2000
By <i>mm</i> SBA	MAAG Date 9/20/99



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Table of Contents
Results Package Agreement

	<u>Page</u>
ARTICLE I : Results and Intermediate Results	1
SECTION 1.1. Results	1
SECTION 1.2. Annex 1, Amplified Description	1
ARTICLE II : The Grant	2
SECTION 2.1. USAID Contribution	2
SECTION 2.2. Total Estimated USAID Contribution	2
ARTICLE III: Requirements Precedent to Disbursement	2
SECTION 3.1. Requirements Precedent	2
SECTION 3.2. Requirements Precedent to Performance Disbursement	3
SECTION 3.3. Notification	3
SECTION 3.4. Terminal Date for Requirements Precedent	4
ARTICLE IV : Disbursement	4
SECTION 4.1. Performance Disbursement	4
SECTION 4.2. Date of Disbursement	4
SECTION 4.3. Terminal Date for Disbursements	4
ARTICLE V : Use of Grant Proceeds	5
SECTION 5.1. Agreed Uses	5
ARTICLE VI : Special Covenants	5
SECTION 6.1. Accounting for Grant Proceeds	5
SECTION 6.2. Prohibited Uses; Replenishment of Proceeds	6
SECTION 6.3. Local Currency Account	6
SECTION 6.4. Taxation and Duties	8
SECTION 6.5. Reporting	8
SECTION 6.6. Evaluation	8
SECTION 6.7. Consultations	9
ARTICLE VII: Miscellaneous	9
SECTION 7.1. Implementation Letters	9
SECTION 7.2. Representatives	9
SECTION 7.3. Communications	10
SECTION 7.4. Amendment	10
SECTION 7.5. Language of Agreement	11
SECTION 7.6. Effective Date	11
SECTION 6.8. Ratification	11

USAID Grant No. 263-K-642
Results Package Grant Agreement

For

Development Support Program I

Dated 22 SEP 1999

Between

The Arab Republic of Egypt ("Grantee")

And

The United States of America, acting through the
U.S. Agency for International Development ("USAID").

ARTICLE I: Results.

SECTION 1.1. Results. The Result sought by this Agreement ("Results") is increased productive, private sector employment, through support for the implementation of Egypt's policy reform program.

SECTION 1.2. Annex 1, Amplified Description. Annex 1, attached, amplifies the above Result. Within the limits of the above definition of the Results in Section 1.1, Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

ARTICLE II. The Grant

SECTION 2.1. USAID Contribution. To help achieve the Results set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee, under the terms of this Agreement, not to exceed Two Hundred Million United States Dollars (\$200,000,000) (the "Grant").

SECTION 2.2. Total Estimated USAID Contribution. USAID's total estimated contribution to achievement of the Results will be Four Hundred Million United States Dollars (\$400,000,000), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

ARTICLE III. Requirements Precedent to Disbursement

SECTION 3.1. Requirements Precedent. Prior to the disbursement of any proceeds of the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the parties may otherwise agree in writing, furnish to USAID, in satisfactory form and substance:

(a) a statement of the names of the persons holding the offices specified in Section 7.2, and of any additional representatives, together with a specimen signature of each person so designated;

(b) a designation of the interest-bearing bank account to which the Grant proceeds are to be deposited, together with the Grantee's certification that such bank account is established and will be maintained in the manner required by Section 6.1 of this Agreement; and

(c) a statement of the means by which funds will be withdrawn from said bank account.

SECTION 3.2. Requirements Precedent to Performance Disbursements. Except as the Parties may otherwise agree in writing, prior to each disbursement of Grant funds pursuant to Section 4.1(b) ("Performance Disbursement") or to the issuance by USAID of documentation pursuant to which such Performance Disbursement will be made:

(a) the requirements precedent set forth in Section 3.1 shall have been met;

(b) the Grantee shall be determined by USAID to be making satisfactory progress towards achievement of the Results through implementation of its comprehensive program of economic reforms agreed to by the Grantee and USAID; and

(c) the Grantee shall be determined by USAID to be in compliance with all of the terms, conditions and covenants of this Agreement.

SECTION 3.3. Notification. When the Requirements Precedent specified in Sections 3.1 and 3.2 have been met, the Grantee will be promptly notified by USAID.

SECTION 3.4. Terminal Dates for Requirements Precedent

(a) If the Requirements Precedent specified in Section 3.1 have not been met within ninety (90) days from the date of this Agreement, or such later date as the Parties may agree to in writing, USAID may terminate this Agreement by written notice to the Grantee.

(b) If the Requirements Precedent specified in Section 3.2 have not been met within such time periods as may be established by Implementation Letters, USAID may terminate this Agreement by written notice to the Grantee.

ARTICLE IV. Disbursement

SECTION 4.1. Disbursement of the Grant. (a) At such times as the Parties may mutually agree, and upon satisfaction each such time of the Requirements Precedent set forth in Section 3.2 of this Agreement, USAID will deposit, from Grant proceeds, a Performance Disbursement in the bank account or accounts designated by the Grantee, pursuant to Section 3.1(b), in the amounts agreed by USAID.

SECTION 4.2. Date of Disbursement. Each disbursement will be deemed to occur on the date USAID makes such deposit, in accordance with Section 4.1.

SECTION 4.3. Terminal Date for Disbursements. No disbursements of Grant proceeds by USAID shall be made after June 30, 2002, except as the Parties may otherwise agree in writing.

ARTICLE V. Use of Grant Proceeds

SECTION 5.1. Agreed Uses. The Parties agree that the Grant proceeds will be used, subject to the restrictions of Section 6.2 below, and to such elaboration as may be provided in Implementation Letters, for any or all of the following:

(a) to procure commodities and related services of U.S. source and origin, as defined by USAID; and

(b) to repay debts of the Grantee, either owed to or guaranteed by the United States of America;

Provided, however, that, except as the parties may otherwise agree in writing, Grant proceeds used for the purpose stated in Section 5.1(b) hereof shall not exceed twenty-five percent (25%) of the total amount of Grant proceeds provided to the Grantee by USAID under the terms of this Agreement.

ARTICLE VI. Special Covenants

SECTION 6.1. Accounting for Grant Proceeds. The Parties agree on the following applicable procedures:

(a) Grant proceeds will be deposited into an interest-bearing bank account established by the Grantee solely for the receipt of this Cash Disbursement assistance from USAID, together with any interest earned on such Grant proceeds. Such proceeds may not be commingled with other funds from whatever source. Any interest earned on such account will be treated as though it were principal (i.e. Grant proceeds) received under the terms of this Agreement.

(b) The Grantee will maintain documents, in accordance with generally accepted accounting principles and practices, concerning the dollar bank account and the use of Grant proceeds, and will make such documents available for quarterly reviews and annual audit by USAID or its designees for the period of the Grant and up to three years following the date of the last disbursement from the account referred to in Section 6.1(a).

SECTION 6.2. Prohibited Uses; Replenishment of Proceeds.

Grant proceeds may not be used to finance the import of ineligible commodities including commodities for military or paramilitary purposes, surveillance equipment, abortion equipment, luxury goods and gambling equipment, or weather modification equipment; nor may Grant proceeds be used for purposes other than those authorized pursuant to Section 5.1. The Grantee agrees to redeposit to the bank account described in Section 6.1 of this Agreement U.S. Dollars equal to the amount of any Grant proceeds used for purposes prohibited under this Section, plus any interest that would have been otherwise earned on such proceeds, and to treat such redeposited amounts as though they were principal (i.e. Grant proceeds) and interest received under the terms of this Agreement.

SECTION 6.3. Local Currency Account

(a) The Grantee will establish a separate non-interest bearing account (the "Local Currency Account") in the Central Bank of Egypt, and will deposit into such account currency of the Arab Republic of Egypt, equivalent to the amount of Grant

proceeds utilized by the Grantee or any authorized agency thereof, to procure or import commodities eligible under Section 5.1(a) of this Agreement. Such funds, so deposited to the Local Currency Account, shall not be commingled with any other funds from whatever source.

(b) The Grantee shall make such deposits to the Local Currency Account as required by Section 6.3(a) of this Agreement at such times and in such amounts in accordance with the requirements stipulated in an Implementation Letter.

(c) The Grantee shall make such deposits to the Local Currency Account at the daily average closing selling rate for transfers as determined by the Free Market Central Chamber for the last business day immediately preceding the date determined for computing the amount of the Local Currency deposit to be made, as stipulated in an Implementation Letter.

(d) Funds deposited in the Local Currency Account pursuant to this Agreement shall be jointly programmed by the parties hereto.

(e) The Grantee will maintain, or cause to be maintained, in accordance with generally accepted accounting principles, documents in support of deposits to and expenditures from the Local Currency Account. Such documents will be available for review and audit by USAID, or its designees, for the period of the Grant, and up to three years following the last disbursement from the Local Currency Account made in accordance with the provisions of this Agreement. Local currency generated

from the Grant will be used to finance audits on the local currency account.

(f) Local Currency Account funds, if any, not used in accordance with the foregoing will be replenished by the Grantee from its own resources.

SECTION 6.4. Taxation and Duties. This Agreement and the Grant funds will be free from any taxation or fees imposed under laws in effect in the Arab Republic of Egypt. No Grant proceeds shall be used to pay taxes, customs duties or other fees applied by Egyptian authorities to commodities funded with Grant proceeds.

SECTION 6.5. Reporting. Except as the Parties may otherwise agree in writing, the Grantee will furnish USAID with a quarterly report on uses of Grant proceeds and the status of the designated bank account, pursuant to Section 6.1 of this Agreement, and quarterly reports on the status of the local currency Special Account activity, pursuant to Section 6.3 of this Agreement. Additional reporting requirements and formats will be established in Implementation Letters.

SECTION 6.6. Evaluation. The Parties agree to establish an evaluation program as part of the Agreement. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Agreement, and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Agreement;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Agreement.

SECTION 6.7. Consultations. The Parties shall periodically consult on implementation of this Agreement.

ARTICLE VII. Miscellaneous

SECTION 7.1. Implementation Letters. USAID may from time to time issue Implementation Letters elaborating on terms of this Agreement, further describing applicable procedures, or recording agreement of the Parties on details of implementation.

SECTION 7.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Minister of International Cooperation and/or the Administrator of the Department for Economic Cooperation with U.S.A., and USAID will be represented by the individual holding or acting in the office of Director, USAID, each of whom, by written notice, may designate additional representatives for all purposes other than signing formal amendments to the Agreement or revising the Results. Either Party may accept as authorized any instrument signed by such representatives of the other Party in

implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 7.3. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be communicated by letter mail, registered mail, telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses, as applicable:

To the Arab Republic of Egypt:

To the GOE:

Ministry of International Cooperation
Department for Economic Cooperation with the U.S.
48-50 Abdel Khalik Tharwat Street
5th Floor
Cairo, Egypt

To USAID:

USAID
c/o American Embassy
8 Kamal El Din Salah Street
Garden City, Cairo, Egypt

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 7.4. Amendment. This Agreement may be amended by the execution of written amendments by the authorized representatives of both the Parties designated in Section 7.2 above.

SECTION 7.5. Language of Agreement. This agreement is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version shall prevail.

SECTION 7.6. Effective Date. This Agreement shall enter into force when signed by both Parties hereto.

SECTION 7.7. Ratification. The Grantee will take all necessary action to complete all legal procedures necessary to ratification of this Agreement, and will notify USAID as promptly as possible of the fact of such ratification.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

UNITED STATES OF AMERICA

BY : Zafer El Bishry

BY : Daniel Kurtzer

NAME : Mr. Zafer Selim El Bishry

NAME : Daniel C. Kurtzer

TITLE: Minister of State
for Planning and
International Cooperation

TITLE: American Ambassador

BY : Dr. Hassan Selim

BY : Richard M. Brown

NAME : Dr. Hassan Selim

NAME : Richard M. Brown

TITLE: Administrator of the
Department for Economic
Cooperation with U.S.A.

TITLE: Director,
USAID/Egypt

Annex 1

Amplified Description

I. Introduction.

This Annex 1 to the Agreement between the Grantee and USAID for the Development Support Program I (DSP I) describes the program to be supported and the Results to be achieved with the funds obligated herein. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of the Agreement.

II. Background.

The GOE is undertaking its own program of economic policy reform which aims to increase productive private sector employment through increased trade and investment. DSP I continues efforts—through prior policy reform programs and other policy related activities—to encourage and support the GOE's economic reform program. DSP I is also designed to provide specific support for the broad policy reform agenda identified by the Presidents' Council and the first subcommittee under the U.S.-Egyptian Partnership for Economic Growth and Development (hereafter the "Partnership").

III. Funding.

The Illustrative Financial Plan for the DSP I is set forth in Attachment 1 to the Amplified Description.

IV. Results to be Achieved.

The Result sought by DSP I is increased productive private sector employment. This Result will contribute to the goal of a globally competitive economy benefiting Egyptians equitably. Accomplishment of this Result will be measured by achievement of the following Indicators:

- a) Increased Private Sector Investment (as measured by increased investment flows by the private sector)
- b) Increased Domestic and International Trade (as measured by increased output of selected non-petroleum goods and services); and
- c) Improved Incentive Framework for Employment (as measured by more equitably distributed employment opportunities).

Qualitative and Quantitative Targets, by which achievement of these indicators will be measured, will be subsequently agreed upon by the two parties.

V. Activities.

DSP I will provide disbursements of approximately \$200 million annually over two years, depending on GOE progress towards implementing its economic policy reforms.

VI. Roles and Responsibilities.

The Ministry of International Cooperation (MIC) will be the overall Representative of the Grantee for the program. MIC will coordinate the Central Bank's management of the U.S. Dollar Separate Account and the Ministry of Finance's Local Currency Special Account. MIC will provide (or cause to be provided) to USAID sufficient information to establish GOE accomplishment of the agreed upon performance measures.

For USAID, the Economic Growth Directorate, Sector Policy Division (EG/SP) will have primary authority and responsibility for DSP I implementation.

The Partnership includes four inter-governmental subcommittees that cover economic policy, trade, investment and external finance, technology, environment, and education. DSP I will complement the efforts of the economic policy, trade, investment and external finance, and education subcommittees.

Illustrative Financial Plan (\$)

Element	Obligation To Date	Future Obligation	Projected Total Funding
Cash Transfer	200,000,000	200,000,000	400,000,000